

Proposal for a Capacity Market Rules Change



Making a positive difference
for energy consumers

Reference number (to be completed by
Ofgem):

Name of Organisation(s) / individual(s):
Enel X UK Limited

Date Submitted:
2019-02-11

Type of Change:

- Amendment
- Addition
- Revoke
- Substitution

If applicable, whether you are aware of an alternative proposal already submitted which this proposal relates to:

CP247 (Alkane) sought to allow secondary trading at any time outside of the Prequalification Assessment Window. However, CP247 did not address the potential for non-delivery as a result of certain Existing CMUs not having the opportunity to Secondary Trade prior to termination.

Proposal summary (short summary, suitable for published description on our website)

Facilitate Secondary Trading before CMUs face termination due to unnecessarily early metering deadlines.

What the proposal relates to and if applicable, what current provision of Rules the proposal relates to (please state provision number):

The proposal relates to the restriction against Secondary Trading prior to the T-1 Auction for the relevant Delivery Year (Rule 9.2.5(a)) and the unnecessarily early deadlines for Metering Statements and Metering Test Certificates to be provided for certain CMUs with T-4 obligations (Rule 13.3.2A(b) and 8.3.3(e)).

Description of the issue that the change proposal seeks to address:

Existing CMUs with unforeseen delivery challenges face potential termination and associated fees before Secondary Trading is allowed to occur. Such CMUs should have the opportunity to make arrangements with an alternate provider on the secondary market so that their capacity obligation is not left unfulfilled to the detriment of consumers. We believe this issue should be handled urgently, as the recent State Aid ruling has delayed the T-1 Auction for 2019/20, thereby preventing all secondary trading before CMUs face terminations as a result of failing to meet pre-delivery year requirements. Adding to the urgency are imminent metering deadlines for 2020/21 T-4 agreement holders.

For example, Existing CMUs awarded a T-4 Capacity Agreement and that require a Metering Test are required to provide a Metering Statement twenty-one months prior to the start of the Delivery Year (Rule 13.3.2A(b)) and a Metering Test Certificate 18 months prior to the start of the Delivery Year (Rule 8.3.3(e)). There are any number of reasons why an Existing plant that has secured an obligation in a T-4 auction may no longer be able to deliver on its obligation (e.g. plant closure due to changing economic conditions, unforeseen maintenance or safety issues, etc). Imposing stringent metering requirements on a defunct plant would be a waste of resources and in many cases would not be possible given the situation on site.

In an efficient market, the Capacity Provider would be able to find an alternative CMU (including Proven DSR) on the secondary market that is capable of delivering on the obligation. This would ensure the capacity is still delivered at the lowest cost to consumers and that no further resources are wasted on a plant that cannot deliver. However, the current Rules do not allow for this outcome, as the Metering deadlines

take place before Secondary Trading can occur. A defunct CMU that cannot meet the metering requirements is subject to termination and resulting fees, and, without the possibility to secondary trade, forced to abandon its capacity obligation.

This problem can be resolved by allowing for secondary trading to take place earlier, moving back the Metering Statement and Metering Test Certificate deadlines for CMUs with T-4 obligations, or some combination of the two.

If applicable, please state the proposed revised drafting (please highlight the change):

We propose to change metering deadlines for T-4 agreements to be in line with T-1 agreements as follows. There is no logical basis for requiring the T-4 deadlines to be dramatically earlier than the same deadlines for T-1 agreements.

13.3.2A(b) in the case of an Existing CMU or a Proven DSR CMU that has been awarded a Capacity Agreement in a T-4 Auction, the date falling ~~twenty-one~~ **five** months prior to the start of the first Delivery Year of the relevant Capacity Agreement

8.3.3(e)(ii) in the case of an Existing CMU or a Proven DSR CMU that has been awarded a Capacity Agreement in a T-4 Auction, the date falling ~~18 months~~ **2 weeks** prior to the start of the first Delivery Year

We also propose opening up Secondary Trading for Existing and Proven DSR CMUs to prior to the relevant T-1 auction, but do not have proposed drafting at this time.

Analysis and evidence on the impact on industry and/or consumers including any risks to note when making the revision - including, any potential implications for industry codes:

Numerous market stakeholders, including Ofgem, have acknowledged the importance of increasing liquidity on the secondary market and reducing the risk of non-delivery. For the benefit of consumers, capacity providers facing unforeseen delivery challenges should have the opportunity to make alternative arrangements to ensure their obligation is not abandoned. Our proposal seeks to ensure that providers have this opportunity before their Existing or Proven CMU(s) are unnecessarily and unproductively terminated.

Details of Proposer (please include name, telephone number, email and organisation):

Shane Sessions
+353 87 399 4411
shane.sessions@enel.com
Enel X